

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Clio Area Library	County Genesee
Audit Date June 30, 2004	Opinion Date September 10, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  Tadd A. Harburn, CPA			

Annual Financial Report
Clio Area Library
Genesee County, Michigan
June 30, 2004

**Clio Area Library
Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

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Introductory Section

**Clio Area Library
List of Appointed Officials**

Mike ZinnPresident

Suzanna Thomas.....Treasurer

Sandra Vuillemot..... Secretary

Carmon Fox

Sue Smith

Debora Turnbow

Financial Section

Independent Auditors' Report

The Honorable Members of the
Clio Area Library Board of Trustees
Genesee County, Michigan

We have audited the financial statements of the governmental activities and fiduciary fund of the Clio Area Library (Library) as of June 30, 2004, and for the year then ended, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities and fiduciary fund of the Clio Area Library at June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 3, and 19 through 21 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

September 10, 2004

Management's Discussion and Analysis

Clio Area Library
Management's Discussion and Analysis
June 30, 2004

As management of Clio Area Library (Library), we offer readers of Clio Area Library's financial statements this narrative overview and analysis of the financial activities of the Clio Area Library.

The basic financial statements for the Clio Area Library are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental funds financial statements.

First Year – Governmental Accounting Standards Board Statement No. 34

The Library is implementing the new Governmental Accounting Standards Board Statement No. 34 reporting requirements this year. Known as GASB 34, the new reporting requirements include this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the Library is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board (GASB) has recognized this problem, and does not require the Library to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. The Library will present a comparative analysis of government-wide data in future years when prior-year information is available. As per the recommendations of the GASB, the following information presents a comparative analysis of key elements of the governmental fund.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of Library are \$273,484 of which \$86,454 represents cash and cash equivalent and investments and \$187,030 represent capital assets.

Net assets decreased \$9,908 for the Library as a result of \$49,004 in program expenses which are offset by general revenues of \$39,096.

Capital Assets

At the end of 2004, the Library had invested \$187,030 in equipment. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34.

Contacting the Library's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vienna Township, 3400 West Vienna Road, Clio, Michigan 48420.

Basic Financial Statements

Government-wide Fund Financial Statements

Clio Area Library
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2004

	General Fund	Building Fund	Book Fund	Total
Assets				
Cash and cash equivalents	\$ 61,020	\$ 2,896	\$ 538	\$ 64,454
Investments	-	12,000	10,000	22,000
Internal receivables	14,288	-	-	14,288
Capital assets (net of accumulated depreciation)	-	-	-	-
Total assets	\$ 75,308	\$ 14,896	\$ 10,538	\$ 100,742
Liabilities				
Internal payables	\$ -	\$ 14,288	\$ -	\$ 14,288
Total liabilities	-	14,288	-	14,288
Fund balances/net assets				
Fund balances:				
Reserved for book purchases	-	-	10,538	10,538
Reserved for building maintenance	-	608	-	608
Unreserved	75,308	-	-	75,308
Total fund balances	75,308	608	10,538	86,454
Total liabilities and fund balance	\$ 75,308	\$ 14,896	\$ 10,538	\$ 100,742
Net assets:				
Invested in capital assets				
Restricted for:				
Book purchases				
Building maintenance				
Unrestricted				
Total net assets				

See notes to financial statements.

Adjustments (Note IIA)	Statement of Net Assets
\$ -	\$ 64,454
-	22,000
(14,288)	-
187,030	187,030
<u>\$ 172,742</u>	<u>\$ 273,484</u>

\$ (14,288)	\$ -
(14,288)	-

(10,538)	-
(608)	-
(75,308)	-
(86,454)	-

187,030	187,030
10,538	10,538
608	608
75,308	75,308
<u>\$ 273,484</u>	<u>\$ 273,484</u>

**Clio Area Library
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2004**

	General Fund	Building Fund	Book Fund	Total
Expenditures/expenses:				
Library operations	\$ 36,485	\$ -	\$ 1,500	\$ 37,985
Total expenditures/expenses	36,485	-	1,500	37,985
General revenues:				
Operating contributions	38,500	-	-	38,500
Interest	386	130	80	596
Total general revenues	38,886	130	80	39,096
Excess (deficiency) of revenues over expenditures	2,401	130	(1,420)	1,111
Change in net assets	-	-	-	-
Fund balance/net assets:				
Beginning of the year	72,907	478	11,958	85,343
End of the year	\$ 75,308	\$ 608	\$ 10,538	\$ 86,454

See notes to financial statements.

Adjustments (Note IIB)	Statement of Activities
<u>\$ 11,019</u>	<u>\$ 49,004</u>
<u>11,019</u>	<u>49,004</u>
-	38,500
<u>-</u>	<u>596</u>
<u>-</u>	<u>39,096</u>
(1,111)	-
(9,908)	(9,908)
<u>198,049</u>	<u>283,392</u>
<u><u>\$ 187,030</u></u>	<u><u>273,484</u></u>

Fund Financial Statements

Clio Area Library
Statement of Fiduciary Net Assets
Mary J. Lee Non-Expendable Trust Fund
June 30, 2004

Assets

Investments

\$ 4,128

Net assets

\$ 4,128

Clio Area Library
Statement of Changes in Fiduciary Net Assets
Mary J. Lee Non-Expendable Trust Fund
For the Year Ended June 30, 2004

Additions

Dividends on investments	<u>\$ 930</u>
Net assets - beginning of year	<u>3,198</u>
Net assets - end of year	<u><u>\$ 4,128</u></u>

**Clio Area Library
Statement of Cash Flows
Mary J. Lee Non-Expendable Trust Fund
For the Year Ended June 30, 2004**

Cash flows from investing activities:

Purchase of investments	\$ (930)
Dividends on investments	<u>930</u>

Net cash provided by (used for) investing activities	<u>-</u>
--	----------

Net increase in cash and cash equivalents	-
---	---

Cash and cash equivalents - beginning of year	<u>-</u>
---	----------

Cash and cash equivalents - end of year	<u><u>\$ - 0 -</u></u>
--	-------------------------------

**Reconciliation of operating income to net cash
provided by operating activities:**

Operating income and net cash provided from operations	<u><u>\$ - 0 -</u></u>
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Notes to Basic Financial Statements

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies

The accounting policies of the Clio Area Library (Library) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Clio Area Library.

A. Reporting entity

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and upon a favorable vote of the majority, will be released from the agreement.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although they can be legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Library currently does not have any component units.

B. Government-wide and fund financial statements

During the year ended June 30, 2004, the Library implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Library currently does not have any business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, government contributions, and other items not properly included among program revenues are reported instead as *general revenues*. The Library currently does not have any program revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if the funds exist. The separate fiduciary funds financial statements are presented even though they are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library currently does not have any proprietary funds.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental contributions are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental contributions and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Fund is used to account for building maintenance costs.

The Book Fund is used to account for book purchases.

Additionally, the government reports the following fund types:

Agency Funds account for assets held by the Library as an agent for individuals, private organizations and other governments.

Agency Funds are reported as fiduciary funds and are not included in the government-wide Statement of Net Assets or the Statement of Activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

If applicable, amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include governmental contributions and interest income.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition.

2. Investments:

Investments for the Library are stated at fair value. Certificates of deposit with a maturity date of greater than 90 days at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets – (continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	10
Equipment and furniture	7

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Capital assets	<u>\$187,030</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$187,030</u></u>

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Depreciation expense	<u>\$ (11,019)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (11,019)</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgets are prepared for the general fund and special revenue funds on a total fund basis prior to June 30 and are presented to the participating municipalities for their approval. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are reported on the financial statements as originally adopted or as amended by the board. Appropriations lapse at the end of each year. The budgets were not amended in the current year.

B. Excess of expenditures over appropriations

The following funds incurred expenditures in excess of appropriations.

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Final Budget</u>
Book Fund:			
Book expense	\$ 200	\$ 1,500	\$ 1,300

IV. Detailed notes on all funds

A. Deposits and investments

The Library's cash and cash equivalents consist of various interest-bearing savings and checking accounts.

At year end, the carrying amount of the Library's deposits was \$29,454, and the bank balance was \$30,439. Of the bank balance, \$30,439 or 100% was covered by Federal Depository Insurance.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 64,454	\$ -	\$ 64,454
Investments	22,000	4,128	26,128
Total	<u>\$ 86,454</u>	<u>\$ 4,128</u>	<u>\$90,582</u>

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

B. Deposits and investments

The Library's investments at June 30, 2004 consist of repurchase agreements and mutual funds as follows:

Repurchase agreements (uninsured, unregistered U.S. securities maintained as collateral held in custodians name)	\$ 57,000
Mutual funds	<u>4,128</u>
	<u>\$ 61,128</u>

At year end, the Township's categorized investment balances were as follows:

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$ 57,000	\$ 57,000
U.S. Gov't. securities	-	-	-	-
Fixed income investment	-	-	-	-
Total categorized	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 57,000</u>	<u>\$ 57,000</u>

Investments in mutual funds are not categorized by risk due to the fact that they are not evidences by securities that exist in physical or book entry form.

Clio Area Library
Notes to Basic Financial Statements
June 30, 2004

IV. Detailed notes on all funds – (continued)

B. Deposits and investments – (continued)

State statutes authorize the Library to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federal insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The Library Board has adopted the above as its investment policy and additionally approved the following as its authorized depository: National City Bank.

C. Capital assets

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 56,700	\$ -	\$ -	\$ 56,700
Total capital assets, not being depreciated	56,700	-	-	56,700
Capital assets, being depreciated:				
Buildings and building improvements	370,589	-	-	370,589
Office equipment and furniture	5,291	-	-	5,291
Total capital assets being depreciated	375,880	-	-	375,880
Less accumulated depreciation	234,531	11,019	-	245,550
Total capital assets, being depreciated, net	141,349	(11,019)	-	130,330
Governmental activities capital assets, net	\$198,049	\$ (11,019)	\$ -0-	\$187,030

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government

\$ 11,019

Total depreciation expense - governmental activities

\$ 11,019

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Fund	<u>\$ 14,288</u>

Clio Area Library
Notes to Financial Statements
June 30, 2004

V. Other information

A. Related party transactions

The Library contracts with Vienna Library (one of its members) to provide accounting services to the Library. The total amount of the contract for the year ended June 30, 2004, was \$1,419.

B. Risk management and contingent liabilities

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplementary Information

**Clio Area Library
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Favorable (Unfavorable)</u>
Revenues				
Intergovernmental:				
Charter Township of Vienna	\$ 25,576	\$ 25,576	\$ 25,576	\$ -
City of Clio	6,016	6,016	6,016	-
Thetford Township	6,908	6,908	6,908	-
Interest	600	600	386	(214)
Total revenues	39,100	39,100	38,886	(214)
Expenditures				
Current:				
Library operations:				
Utilities	15,100	15,100	13,998	1,102
Repairs and maintenance	7,000	7,000	5,998	1,002
Insurance	5,000	5,000	5,251	(251)
Audit and consulting	1,000	1,000	1,100	(100)
Custodial services	7,600	7,600	7,660	(60)
Office, postage, and miscellaneous	1,500	1,500	1,607	(107)
Grounds maintenance	1,500	1,500	695	805
Capital outlay	400	400	176	224
Total expenditures	39,100	39,100	36,485	2,615
Excess of revenue over expenditures	-	-	2,401	2,401
Fund balances at beginning of year	72,907	72,907	72,907	-
Fund balances at end of year	\$ 72,907	\$ 72,907	\$ 75,308	\$ 2,401

**Clio Area Library
Building Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Favorable (Unfavorable)</u>
Revenues				
Interest	\$ 400	\$ 400	\$ 130	\$ (270)
Miscellaneous	200	200	-	(200)
Total revenues	600	600	130	(470)
Expenditures				
Repairs and maintenance	650	650	-	650
Capital outlay	350	350	-	350
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over expenditures	(400)	(400)	130	530
Fund balance - beginning of year	478	478	478	-
Fund balance - end of year	\$ 78	\$ 78	\$ 608	\$ 530

**Clio Area Library
Book Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Favorable (Unfavorable)</u>
Revenues				
Interest	\$ 200	\$ 200	\$ 80	\$ (120)
Expenditures				
Book expense	\$ 200	\$ 200	1,500	(1,300)
Excess (deficiency) of revenues over expenditures	-	-	(1,420)	1,180
Fund balance - beginning of year	11,958	11,958	11,958	-
Fund balance - end of year	\$ 11,958	\$ 11,958	\$ 10,538	\$ 1,180

September 10, 2004

Members of the Clio Area Library
Board of Trustees
Genesee County, Michigan

We have audited the financial statements of the Clio Area Library (the Library) for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 26, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Clio Area Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Clio Area Library are described in Note 1 to the general purpose financial statements. We noted no transactions entered into by Clio Area Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the Clio Area Library, that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We did not have any significant audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Clio Area Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

As part of our audit, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

Members of the Library Board
Clio Area Library
September 10, 2004
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Current Year Comments

1. Capitalization Policy

As a requirement of GASB 34, the board needs to formally adopt a capitalization policy for fixed assets. The policy will create a minimum cost of assets which are to be capitalized.

2. Bank Statements

To strengthen internal controls we recommend the monthly bank statements including canceled checks be received unopened by the treasurer and the check information reviewed. Once reviewed, the bank statements can be forwarded to the bookkeeper for preparation of the bank reconciliation. We also recommend that the bank reconciliations be reviewed by the treasurer upon completion by the bookkeeper.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Library's personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,



Tadd Harburn
Principal

Flint Office